



**Director of
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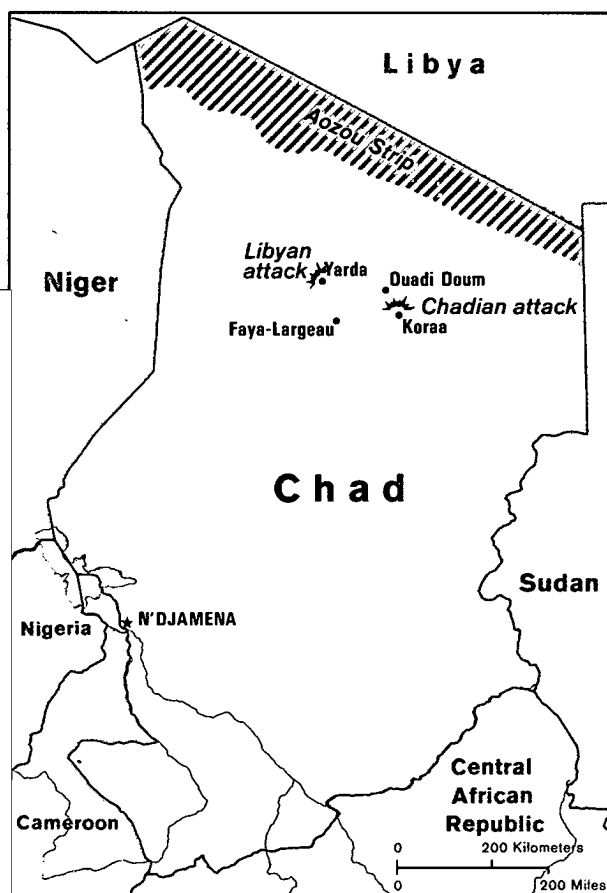
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**Destroyed Libyan Armor,
Koraa Deployment Area,
Chad,**

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CHAD-LIBYA
FRANCE:**Libyan Deployment Attacked**

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Fighting has increased north of the 16th parallel as Chadian and Libyan forces maneuver for position prior to the long-awaited Libyan attack on Fada.

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[redacted] at least 15 destroyed Libyan armored vehicles—part of a convoy deployed last weekend—scattered throughout the Koraa deployment area 60 miles (100 kilometers) southeast of Ouadi Doum. A Chadian force consisting of armored personnel carriers and numerous support vehicles is in control of the area. [redacted]

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In another battle earlier this week, Libyan forces garrisoned at Faya-Largeau reportedly attacked Chadian troops 45 miles (70 kilometers) to the north near Yarda [redacted]

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[redacted] Chadian troops in the area are known to number at least 250, but there may be as many as 800. [redacted]

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Libyan press reports indicate that Chadian troops suffered heavy losses [redacted]

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~~The US Embassy in N'Djamena has not confirmed a Chadian defeat at Yarda, but it has reported that a Chadian battalion is surrounded and that the French have refused to conduct an airdrop to the area. According to the US Embassy in Paris, however, Chadian forces were initially surprised by Libyan units but reacted quickly and gained the initiative.~~ [redacted]

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Comment: ~~N'Djamena is continuing to prepare for a Libyan assault on Fada.~~ The loss of the Libyan armored convoy probably will force Tripoli to rethink its tactics, and it almost certainly will delay the attack. [redacted]

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Although the situation at Yarda remains unclear, most evidence indicates that Chadian forces took fairly heavy casualties. The Chadians may have been deployed to the area to interdict Libyan resupply convoys or possibly to prepare for a larger scale attack on Faya-Largeau. If the reports of heavy losses prove true, or if Chadian President Habre cannot reinforce and resupply the besieged battalion quickly, plans for operations in the area could be set back. The fighting at Yarda and Koraa suggests that the Libyans are increasing their offensive operations outside the Tibesti Mountains. [redacted]

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CZECHOSLOVAKIA: Husak Supports Prague Moderates

Czechoslovak Party leader Husak's apparent willingness to discuss aspects of Soviet restructuring and his reshuffling of some top leadership posts seem designed to temper reaction to Gorbachev-style reform initiatives as well as to mollify the Soviets.

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In a speech to a party plenum this week, Husak used the word "reform" for the first time to describe a limited plan for economic restructuring announced late last year. He suggested that secret balloting for party elections would be considered, stressed that the media should employ "openness" in discussing Czechoslovak problems, and hinted that nonparty members could play a role in future policy planning. He acknowledged the importance of the Soviet example in forming his country's policies but stressed that reforms will be implemented according to "Czechoslovak conditions."

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Presidium member and Czechoslovak Premier Korcak was relieved of his post and replaced by his longtime deputy, Ladislav Adamec. Presidium member and Trade Union Movement leader Hoffmann was elected a secretary of the Central Committee.

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Comment: Husak's cautious endorsement of economic reform and his willingness to allow some discussion of problems are probably intended to establish the limits for debate on Gorbachev's initiatives in the USSR. Husak may also hope to sweeten the atmosphere of Gorbachev's visit ^{in April} next month, which will probably focus on economic integration and trade problems and give Gorbachev an opportunity to assess the debate in Prague.

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The Czechoslovak party may feel it can pursue a more freewheeling reform discussion than Husak intends, and pragmatists will probably press their case vigorously. Husak risks losing control of the party reins if the debate erupts into more clashes and if reformers attempt to push out the hardliners.

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The leadership shuffle is not likely to cause any short-term change in regime policies or tip the balance of power toward either faction.

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ARGENTINA-USSR: Communist Party Woes

The Argentine Communist Party, weakened by frictions between traditionalists and younger activists, suffered a further setback when Soviet leader Gorbachev failed to take action to mend the rift during a recent meeting with party leaders in Moscow.

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Comment: The militants probably hoped to get Gorbachev's blessing to settle the question of strategy, reunite the party, and improve its electoral prospects. Gorbachev must balance his roles, however, as mentor to regional Communist parties and Soviet head of state. His refusal to endorse a strategy places the burden on the Argentine party to decide whether to continue on its activist path, which many of its leaders believe will win greater domestic support, or revert to the traditional line it believes is favored by Moscow. The creation of another Communist party probably would make it impossible for the Communists to challenge the Radical and Peronist parties at the national level.

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*CW***ARAB STATES: Prospects for Summit**

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Algeria believes that Saudi Arabia is prepared to host the long-delayed Arab League summit in Riyadh. The Algerian Chargé in Riyadh claims that King Fahd assured President Bendjedid about this during his visit to Algiers last week, according to the US Embassy. The Algerians believe that Syrian President Assad has promised to attend a summit even if the Iran-Iraq war is on the agenda. Algiers expects the League to set a date for the summit at a meeting of Arab Foreign Ministers on 1 April in Tunis, but, according to the US Embassy, Riyadh is less optimistic about prospects for an early summit, insisting that "success" be guaranteed in advance. [redacted]

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Comment: The Algerians have probably overestimated Saudi Arabia's willingness to host an Arab League summit in Riyadh soon. King Fahd is eager to bring Arab leaders together to deal with important regional issues like the war, Lebanon, Egypt's reintegration into the League, and the Arab-Israeli conflict, but he probably calculates that a premature summit would worsen Arab rivalries and undermine the goals of the moderate Arabs. Still, the convening of the Islamic summit in Kuwait in January illustrated that the disagreements among Arab leaders need not preclude a meeting of heads of state. In any event, an Arab League summit would probably require a significant outlay of Persian Gulf Arab money to Syria to assure Assad's attendance and good behavior. [redacted]

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PLO: Reconciliation Meeting

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Five rival Palestinian factions *reportedly* have announced they will compromise their differences next month at a session of the Palestine National Council—the PLO's quasi-parliament—but PLO Chairman Arafat's goal of reunification will be difficult to achieve. Leaders of the Democratic Front for the Liberation of Palestine and the Palestinian Communist Party announced their intention to meet with the three pro-Arafat groups at a Council session in Algeria. [redacted]

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Comment: Syrian President Assad's steadfast opposition to a reconciliation between the Damascus-based Palestinian groups and the PLO remains the key obstacle to reunification. The Democratic Front realizes that it would risk losing its bases in Syria and the Syrian-controlled Bekaa Valley of Lebanon if it participated in a formal reconciliation. Palestinian frustration about Syria's role in the war over the Palestinian refugee camps in Lebanon has led it and the other groups to persist in seeking reconciliation despite serious Syrian objections. [redacted]

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Final Phase of India's Military Exercise

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INDIA: Final Phase of Military Exercise

Indian military forces are winding up the large-scale Brass Tacks exercise that touched off a border crisis with Pakistan last month.

armored units leaving the Rajasthan desert training areas and the final amphibious portion of the exercise beginning off the coast of Gujarat.

According to US Navy reporting, at least 12 Indian warships remain in the northern Arabian Sea.

Comment: Apparently in response to Pakistani concerns, the Indians relocated the principal desert maneuvering area 60 miles (100 kilometers) farther east and shortened the exercise by about a week. The maneuvers will be completed by the end of the month, with troops returning to garrison by the middle of next month. The end of Brass Tacks will probably set the stage for a final round of Indo-Pakistani border talks next month and a return to garrison of all mobilized troops on both sides.

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HAITI: Constitutional Debate

W0 Haitian President Namphy reportedly is considering altering the draft constitution and delaying the referendum scheduled for 29 March to campaign for his changes. [redacted] The draft recently submitted to Namphy by the Constituent Assembly is designed primarily to prevent the emergence of a new dictator, according to the US Embassy. It also guarantees comprehensive human rights and limits the political activities of those associated with the Duvalier regime. [redacted]

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Comment: Popular debate over and interest in the constitution is high, and a decision by the ruling council to alter the draft or delay the referendum—as occurred last month—could trigger more protests. Although the article prohibiting former Duvalier associates from holding office will be popular, a number of leading presidential contenders had ties to the Duvaliers. A weak presidency would impede Haiti's efforts to build a viable democracy, considering the already limited popularity of leading contenders for the office and Haiti's tradition of strongman rule. [redacted]

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CHINA-THAILAND: Possible Arms Sales

W0 The Thai are again reminding US officials that China has standing offers to expand sales of military equipment to Thailand. The Chinese recently proposed to sell the Thai more than 400 armored personnel carriers at two-thirds the cost Bangkok is paying for older US vehicles, [redacted]

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Comment: The Thai are almost certainly hoping to use the Chinese offers as leverage to win better terms from traditional US suppliers. Bangkok will probably not make any decisions about major weapons acquisitions, however, until after the Army completes reorganization plans later this year. Even then, the prospects for large purchases from China are slim, primarily because the Thai logistic system is geared to US materiel. Nonetheless, the Prem government is under pressure to cut its budget deficits, and it may increasingly turn to cheaper Chinese items such as artillery and ammunition. [redacted]

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In Brief**USSR**

— **Soviet** leader Gorbachev has remained out of sight since 6 March ... Foreign Ministry told US Embassy he is on working vacation ... he reportedly phoned Foreign Minister Shevardnadze during latter's meeting with US official on Tuesday.

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Soviet party secretary Yakovlev, a Gorbachev ally, has apparently abandoned efforts to publish proceedings of plenum in January ... suggests conservatives who attacked Gorbachev's program successfully resisted public exposure of their views.

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Americas

— Anti-Sandinista rebel outpost attacked by **Nicaraguan** patrol near Contra training site in **Honduras** Saturday, ... subsequent six-hour rocket barrage fell short ... no Sandinista troop buildup evident near border.

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Terrorism

— **Austrian** police defuzed letter bomb mailed by Islamic extremists to Austrian firm, according to press ... extremists claim firm is supplier of **Iraqi** chemical weapons program ... they may target other alleged suppliers.

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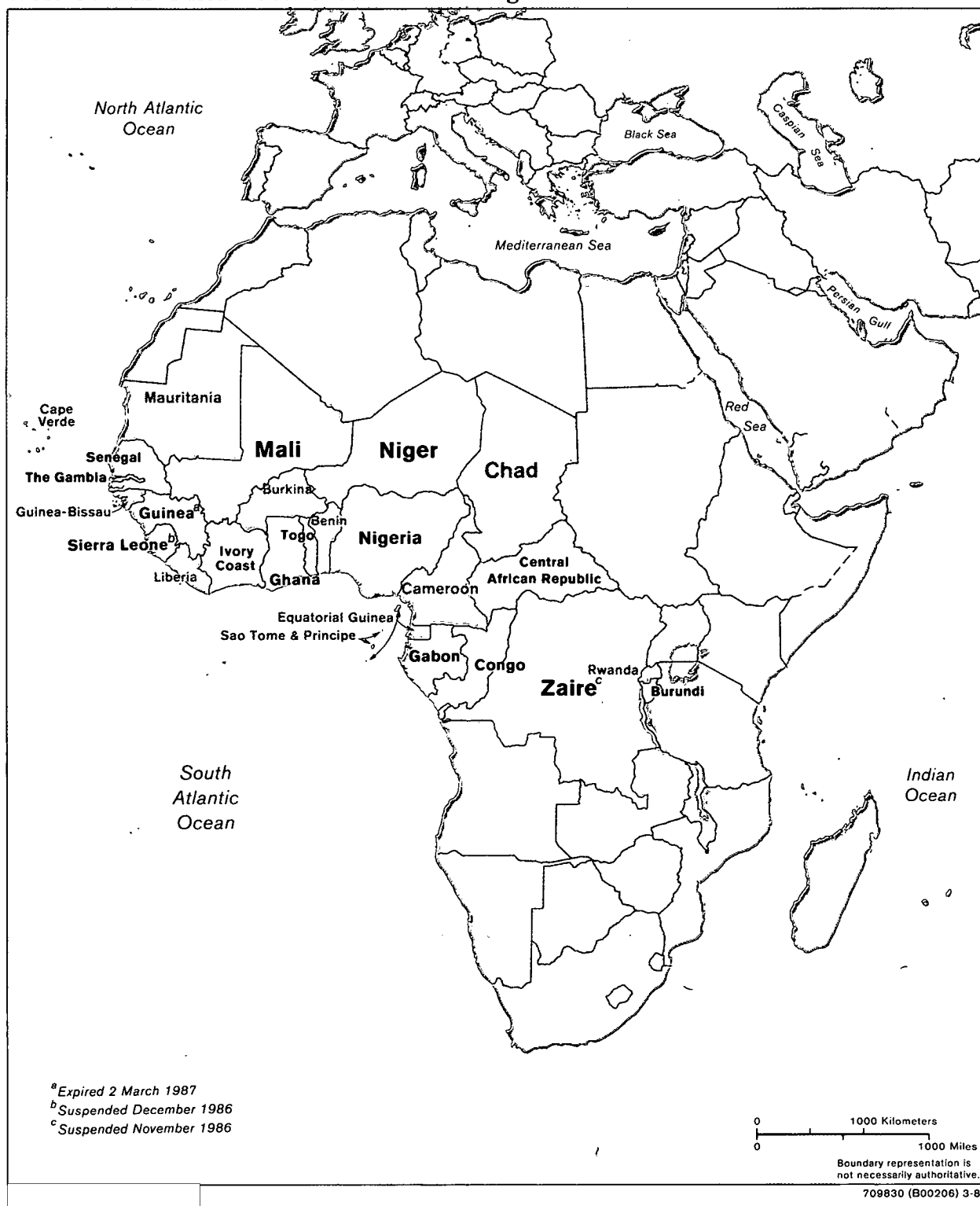
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West Central African Countries With IMF Agreements

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Special Analysis

AFRICA:

Fragile Economic Reform Effort

Debt, low commodity prices, and poor administration are threatening the efforts of 13 west and central African nations to rehabilitate their economies by implementing IMF-backed reform programs. Many leaders in this politically unstable region must also curry favor with the military or other powerful domestic opponents of reform, and most would reverse their reform policies if faced with economically inspired unrest.

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The reform efforts generally involve budgetary austerity, returning some state industries to private hands, streamlining bureaucracies, cutting consumer subsidies while promoting higher prices for agricultural products, liberalizing trade controls, and devaluing exchange rates. Only a few countries, however, have managed to implement reforms and to maintain acceptable economic growth rates. **Ghana** began its program in 1983 aimed at reinvigorating its agricultural base and has managed economic growth rates of about 5 percent in recent years; **Ivory Coast**—pursuing budgetary austerity and parastatal reform under the IMF's auspices—has also registered growth averaging more than 4 percent in 1985 and 1986.

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Intractable Problems

Several countries have faithfully pursued reforms for several years with no improvement in living standards. According to the IMF, **Senegal**, for example, has made substantial progress in its economic and financial adjustments since 1983, but growth has been slow as a result of drought and other structural problems. **Zaire**, once hailed as a showcase for its four-year austerity program, had its IMF agreement suspended after President Mobutu—frustrated with the poor results—publicly demanded a program that would allow more growth.

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_____ Mobutu has abandoned economic reform programs several times in the past and could do so again.

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Many west and central African nations are plagued by heavy debt burdens and dependence on volatile commodity exports, which inhibit growth and keep the positive effects of reforms to a minimum. Only one of these 13 countries does not carry an external debt equal to at least 200 percent of annual exports; the average among LDCs is 155 percent.

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Plunging coffee prices could stymie Ivory Coast's growth this year and may jeopardize the **Central African Republic's** chance of receiving another IMF standby loan when its current program expires this month. Low peanut prices have hurt Senegal, and depressed minerals markets have contributed to Zaire's weak economic performance.

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Last September, **Nigeria** initiated a reform program and received an IMF standby agreement, as well as debt rescheduling agreements from official and commercial creditors. Lagos depends on oil exports for more than 95 percent of foreign exchange revenues, however, and the anticipated financial relief is still not enough to compensate for the decline in oil prices over the past several years.

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Poor administrative capabilities also hinder reform implementation. **Sierra Leone**, staffed with corrupt and incompetent officials, signed an IMF standby last November only to fall out of compliance one month later, according to the US Embassy. **Liberia** was declared ineligible to use IMF resources last year because of unpaid arrears and has agreed to allow 17 US financial experts to manage the country's decaying finances.

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Political Outlook

Every government in the area faces domestic opposition to painful restructuring measures, especially in the wake of continued weak economic growth. Economic hardship, moreover, has encouraged rumors of coup plotting. Resistance to reform often is centered in the bureaucracies, which face reductions in staffing and decisionmaking power; among the urban elites, used to generous consumer subsidies; and in the military, where the reforms often affect salaries, promotions, and equipment purchases.

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If the reforms continue to demand domestic sacrifices while failing to improve living standards, many governments will abandon such programs and perhaps seek radical solutions to their economic woes rather than face the prospect of economically inspired unrest and possible coup attempts.

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